CD(SA) Code of Conduct and Declaration

This serves to inform candidates of the Code of Professional Conduct for Chartered Directors and receive candidate declarations for the maintaining of your Chartered Director - CD(SA) designation.

The Institute of Directors in Southern Africa (IoDSA)
Code of Conduct for Chartered Directors
As Chartered Directors we must possess critical competencies in the form of specialised knowledge, skills and experience. How we apply these competencies can however have a significant impact on shareholders and employees, on our societies, on the natural environment, and on various other stakeholders. Our competencies must therefore be underpinned by ethical values, which we apply consistently and resolutely.

The purpose of this code is to identify the values that should guide our decisions, and to serve as a resource to Chartered Directors when faced with ethical dilemmas.

While it is intended as an aspirational standard, a Chartered Director who clearly acts against the letter or spirit of the Code may face disciplinary sanction. This specifically applies to unlawful behaviour or bringing the profession into disrepute.

Overarching principle – TRUSTEESHIP
The principle of trusteeship best embodies what it means to be a Chartered Director.

Trusteeship means taking care of something which has been entrusted to us. As directors we are entrusted with the governance of organisations which we should do in the best interest of those organisations, and in line with accepted standards of good governance.

Trusteeship of organisations requires sound judgment in balancing an enterprising spirit (required to drive organisations forward) with prudence (required to ensure long-term sustainability).

The best interest of the organisation should therefore be interpreted by considering the organisation as a sustainable enterprise and a responsible corporate citizen. This approach defines success in terms of lasting positive effects for all stakeholders, and implies stewardship in a broader sense.

As Chartered Directors we have the following moral duties in relation to our role as trustees:

1. Integrity;
2. Fairness;
3. Professionalism; and
What do these moral duties mean in practice?

Integrity

Chartered Directors should consistently live up to the highest ethical standards of honesty and transparency, and all their dealings should be above board and beyond suspicion.

[This is expressed as follows in Chapter 1 of the King Report on Governance, 2009 ("King III"): "15.1 Conscience: A director should act with intellectual honesty and independence of mind in the best interests of the company and all its stakeholders, in accordance with the inclusive stakeholder approach to corporate governance. Conflicts of interest should be avoided."]

A Chartered Director should:

1. Act with intellectual honesty and independence of mind.
   1.1 Intellectual honesty means that directors will apply their minds diligently and critically, and that they will not try to rationalise bad decisions.
   1.2 Independence of mind means that the director will not be influenced by the views of other parties or by concerns which are not in the best interest of the organisation. The director should follow his or her own mind and conscience in such matters. This does not mean that the director should be unflinching in board discussions.

2. Avoid all forms of conflicts of interest, including perceptions of such conflicts.
   2.1 It is critical that a Chartered Director is, and is seen to be, acting in the best interest of the organisation.
   2.2 A Chartered Director should raise any potential conflict of interest with the board (or other relevant structure) prior to any engagement on the matter, and should withdraw from decision-making and discussion where they are conflicted.
   2.3 When in doubt about a conflict of interest, Chartered Directors should err on the side of caution to ensure that they remain beyond suspicion.
   2.4 Where a Chartered Director is appointed at the insistence of any party (such as a major shareholder or creditor) they should not act solely in the interest of that party. They should be aware that they may be inherently conflicted, and must apply themselves in the best interest of the organisation and all its stakeholders as directors of integrity would do.

3. Be honest and transparent in all decisions and communications.
   3.1 A Chartered Director should ensure that the organisation’s reporting and communication with stakeholders is timely, accurate and complete, to enable stakeholders to make informed decisions.
   3.2 This transparency should be balanced with the need for confidentiality.

4. Be scrupulous in dealing with confidential information.
   4.1 A Chartered Director is only privy to confidential information to enable them to perform their role as steward of the organisation, and should use confidential information only in fulfilling this obligation. They should not abuse confidential information, and should not use it for their own interest or any other illegitimate
purpose. This duty of confidentiality also applies after a director’s term with an organisation.

1.4.2 A Chartered Director should be specifically vigilant about not using confidential information to engage in insider trading.

1.5 Comply with the spirit and letter of all laws, regulations, and codes of good practice applicable to their organisation.

1.5.1 A Chartered Director should not use legality to justify unethical outcomes. They should act ethically beyond minimal compliance with such externally imposed standards.

1.6 Ensure that the organisation has a moral framework (or values), which guides its ethical decision-making.

1.7 Act in accordance with the organisation’s moral framework (or values).

1.7.1 A Chartered Director should always, but specifically during critical events, uphold the organisation’s ethical standards.

1.8 Be aware that their integrity will reflect on the reputation of the organisation, and that of the profession of Chartered Directors.

1.8.1 A Chartered Director should refrain from behaviour that might bring their organisation, or the profession of Chartered Director into disrepute.

**Fairness**

Chartered Directors should even-handedly consider the legitimate interests and expectations of stakeholders in decision-making and strategy.

[This is expressed as follows in Chapter 1 of King III:
"15.2 Inclusivity of stakeholders is essential to achieving sustainability and the legitimate interests and expectations of stakeholders must be taken into account in decision-making and strategy."]

A Chartered Director should:

1.9 Act in the best interests of the organisation and all its stakeholders, in accordance with the inclusive stakeholder approach to corporate governance.

1.9.1 The inclusive stakeholder approach means that the board should consider the legitimate interests and expectation of all stakeholders when deciding in the best interest of the organisation.

1.10 Ensure that the organisation competes fairly in the marketplace.

1.10.1 They should ensure their organisations refrain from anti-competitive behaviour and corruption, and should work pro-actively to eradicate these practices in their organisations and in the marketplace.

1.11 Ensure that all shareholders (and all classes of shareholders) are treated fairly.

1.11.1 The interests of minor shareholders should carry the same weight as those of large shareholders.
Professionalism
A Chartered Director should act with care, skill and diligence in all their duties.

[This is expressed as follows in Chapter 1 of King III:
"15.3 Competence: A director should have the knowledge and skills required for governing a company effectively. This competence should be continually developed.
15.4 Commitment: A director should be diligent in performing his duties and devote sufficient time to company affairs. Ensuring company performance and compliance requires unwavering dedication and appropriate effort."]

Care
A Chartered Director should:
1.12 Take responsibility for the assets of the organisation – including its physical assets, its people, and its reputation.
1.13 Take responsibility and accountability for board decisions.
1.14 Remain vigilant for opportunities from which the organisation can benefit, and for any threats posed to the organisation.
1.15 Ensure that all relevant information required for exercising effective control and providing innovative direction to the organisation is acquired.
   1.15.1 They should ensure that the information presented to the board is timely, accurate and complete.
1.16 Create a board environment of rigorous debate that will ensure sound reasons for decisions.

Skill
A Chartered Director should:
1.17 Ensure that they have (and continuously develop) the knowledge and skill required for governing an organisation effectively.
1.18 Encourage the board to acquire the appropriate range of knowledge and skills where these are absent, or to contract external expertise where it might be required in the short term.
1.19 Submit themselves to regular board evaluation.

Diligence
A Chartered Director should:
1.20 Be diligent in performing their duties and devote sufficient time to organisational affairs.
1.21 Be well prepared for board meetings and other engagements required of them.
1.22 Ensure that the board applies itself and spends sufficient time on key issues.
1.23 Actively participate in, and contribute to, board discussions, especially on critical issues.
1.24 Ensure that they attend all Board meetings they have committed to.
   1.24.1 They should make every effort to attend all board meetings, and only highly exceptional circumstances should prevent them from doing so.
1.25 Not hold more directorships than they can responsibly contribute to.
   1.25.1 They should ensure that their performance at board meetings is in no way negatively affected by the number of directorships that they hold.
Courage

A Chartered Director should have the courage to take the risks associated with directing and controlling a successful sustainable enterprise, and also the courage to act with integrity in all board decisions and activities.

[This is expressed as follows in Chapter 1 of King III:
"15.5 Courage: A director should have the courage to take the risks associated with directing and controlling a successful, sustainable enterprise, and also the courage to act with integrity in all board decisions and activities.]

A Chartered Director should:
1.26 Speak their mind openly.
1.27 Have the courage to admit to mistakes when they have been made.
1.28 Be careful of going with group decisions against their better judgment.
1.29 Make their disagreements with board decisions known – especially on substantive issues.
   This might entail:
   1.29.1 Openly raising their concerns and seeking to influence the decision.
   1.29.2 Asking for additional independent professional advice.
   1.29.3 Postponing the decision to allow for further reflection and deliberation.
       This could be achieved by calling for a special board meeting to consider the matter;
   1.29.4 Raising their position in writing and insisting that their dissent be minuted.
   1.29.5 In extreme cases - resigning from the board.
       In such cases a Chartered Director should consider disclosing their motivations to the appropriate regulatory body and shareholders, while being cognisant of their duty not to disclose confidential information.

Declaration

By my signature hereto, I declare my commitment to uphold the principles and standards of conduct outline in this Code for Conduct for Chartered Directors. I understand that should I not adhere to the standards set out herein, I may face review and sanction by the CD(SA) disciplinary Committee.

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